



Dec 2013

AIA PAM – Conservative Fund

Investment Objective

The Fund seeks to provide returns through income* that is consistent with capital conservation**.

*Income will be reinvested in additional units in the Fund

** The Fund is neither capital guaranteed nor capital protected.

Investment Strategy

The Fund will also invest at least 80% of its NAV in local fixed income instruments and money market instruments, of which a minimum of 20% of the Fund's NAV will be invested in money market instruments. The remainder of the Fund's NAV will be invested in equities offering a dividend yield above the market average.

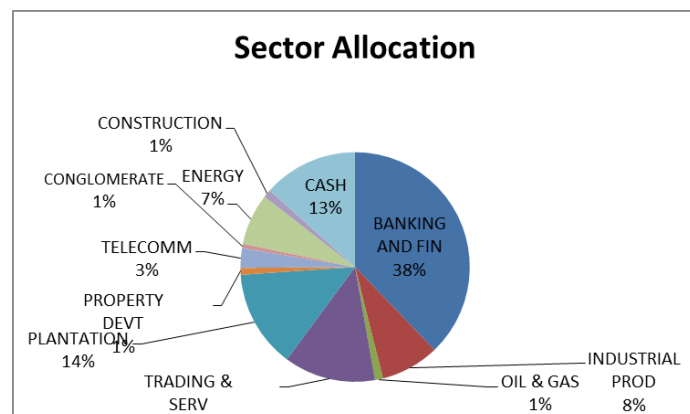
The Fund will only invest locally.

Fund Details

Fund Size (31 Dec 2013)	: RM 10.16 million
Fund Currency	: Ringgit Malaysia
Fund Launch	: May 16, 2013
Fund Inception	: Jun 05, 2013
Fund Management Charge	: 1.50% p.a
Investment Manager	: AIA Pension and Asset Management Sdn Bhd
Basis of Unit Valuation	: Net Asset Value (NAV)
Frequency of Unit Valuation	: Daily
Benchmark	: 20% FTSE Bursa Malaysia Top 100 Index + 20% Maybank Berhad overnight rate + 60% Quant Shop MGS All Bond Index

Top Holdings

1.	Golden Assets International 03/08/18	12.88%
2.	Public Bank Berhad 25/09/23	10.31%
3.	CIMB Bank Berhad 15/09/22	7.21%
4.	First Resources Ltd 05/06/20	7.18%
5.	Gamuda Berhad 21/03/18	7.18%



Risk

Investment risk involves the uncertainties relating to Malaysia's economic situation, political condition and also price volatility of stocks held as a result of company specific risk.

Risk Management

The Investment Manager employs structured investment process to minimize market risk. Investment guidelines also prescribe limits in terms of single user limit and strict and frequent stock evaluation to minimize company specific risk.

Historical Performance

Offer Price at Inception	: RM 1.0000
Unit NAV (31 Dec 2013)	: RM 1.0135
Benchmark (05 Jun 2013)	: 1.0000
Benchmark (31 Dec 2013)	: 1.0028

Source: AIA Pension and Asset Management Sdn Bhd, Bloomberg as at 31 Dec 2013

Manager's Comments Market Review

The US Federal Reserve announced at its December FOMC meeting that it will reduce the pace of its monthly asset purchases (Quantitative Easing) by US\$10 bil, to US\$75 bil, in January 2014. This, together with positive economic releases both here and abroad, caused the yields at the short to medium end of the curve to rise. The 3 and 5 GII yields rose 7 bps and 8 bps to end the month at 3.44% and 3.96% respectively. Meanwhile the 10-year GII fell 1 bps to 4.40%. During the month, there was a new 15-year GII auction. Demand was strong, with a bid-to-cover of 2.87x at an average yield of 4.943%. Bank Negara released the MGS and GII auction calendar for 2014. There will be twelve GII and four Sukuk Perumahan Kerajaan auctions next year. The primary market was lively at the end of the year. Issuers that came to the market include BGSM Management, Malakoff Power and Kesturi.

On equity front, the FTSE Syariah Index gained 2.49% m-o-m to close at 13,052, outperforming MSCI Asia Ex Japan index which registered a marginal gains of 0.54% m-o-m in Ringgit terms. Malaysia had registered a positive performance for the fifth consecutive year since 2009. Inflation edged higher to 2.9% y-o-y in November, hitting a 23-month high, given the spillover effect from the removals of collective subsidy. On the corporate front, major news include: i) Announcement of an average 14.89% electricity tariff hike for Tenaga effective 1 January 2014; ii) PETRONAS and its partner awarded RM10bn worth of transport and installation contracts to SapuraKencana, Puncak and Barakah; iii) Perisai has entered into a rig construction contract with PPL Shipyard, a subsidiary of Sembcorp Marine for US\$211.5 million and expected to deliver in 3Q16; and iv) Gamuda raised its offer to acquire the remaining 70% stake it does not own in KESAS Highway by 12% to RM980m from RM875m while it has received acceptance from PNB (in principal until 30 December 2013) and Amcorp earlier on.

Market Outlook

For fixed income, our duration strategy will remain underweight amidst negative market sentiment. In terms of asset allocation, we prefer short to medium-term corporate sukuk.

For equity, we remain optimistic on equities in the long run given the expectations of a synchronized global growth coupled with Malaysia government effort to address macroeconomic issues. We remain focus on growth related sectors in oil & gas, property, construction and transportation.